



Chartered  
Insurance  
Institute

# R06

## Diploma in Regulated Financial Planning

Unit 6 – Financial planning practice

April 2026 examination

### SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2025/2026 unless stated otherwise and should be answered accordingly.

It should be assumed that all individuals have long-term UK residence status unless otherwise stated.

## Unit R06 – Financial planning practice

### Instructions to candidates

#### Read the instructions below before answering any questions

- **Three hours** are allowed for this paper.
- This paper consists of **two** case studies and carries a total of 150 marks.
- You are advised to spend approximately 90 minutes on the questions for each case study. You are strongly advised to attempt **all** parts of each question in order to gain maximum possible marks for each question. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- It is important to show all steps in a calculation, even if you have used a calculator.
- Tax tables are provided at the back of this question paper.

**Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.**

**Attempt ALL questions for each case study****Time: 3 hours****Case Study 1**

**Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.**

*Read the following carefully and then carry out **ALL** of the tasks (a), (b), (c), (d), (e), and (f) which follow.*

Khaled and Jenna, both aged 64, are married with four adult children. Khaled and Jenna are both in very good health and are planning to continue to work full-time until age 67. All of their children are married, and they have six grandchildren between the ages of 5 and 15.

Khaled is a telecoms consultant and earns £85,000 per annum (gross). He is a member of his employer's death-in-service scheme which will pay out four times his basic salary on death whilst in service. Khaled is a member of his employer's qualifying workplace pension scheme and contributes 10% of his gross salary to the scheme. This is matched by his employer. His pension plan has a current value of £540,000 and is invested in a range of UK and global managed funds. Khaled's employer does not offer any further employee benefits. This pension is nominated in favour of Jenna.

Jenna is a journalist and earns £50,000 per annum (gross). She is a member of her employer's qualifying workplace pension scheme and contributes 7% of her gross salary to the scheme. Her employer contributes 5% of her gross salary to the scheme. Her pension plan is invested in a cautious target date fund, based on her planned retirement at age 67. This has a current value of £310,000. This pension is nominated in favour of Khaled. Jenna's employer does not offer any further employee benefits. They will allow her to work on a freelance basis after she has retired. Jenna is keen to do this on an ad hoc basis following her planned retirement from full-time work.

Khaled and Jenna are in the process of purchasing a new home. The sale of their current property has just fallen through, but they wish to continue with the purchase of the new home which is due for completion in the next six weeks. They have asked for advice regarding how they can make the purchase of the new property whilst they wait to find a buyer for their current home. Their current home is mortgage-free and valued at £600,000. They have no other debts or liabilities. The new property has an agreed purchase price of £520,000, before fees or any taxes.

Khaled and Jenna hold a range of stocks and shares ISAs and open-ended investments companies (OEICs) which are invested in a range of equity funds. The OEIC holdings have performed very well and have large capital gains built up within the holdings. Khaled also holds shares in a UK Telecoms company (plc) which has performed badly over the past few years. It is currently showing a large capital loss, based on the current market price. Neither Khaled nor Jenna have used their ISA allowances for the current tax year.

Jenna is due to receive an inheritance later this year, from her late aunt, of approximately £150,000. She wishes to retain full control of this inheritance but intends to invest it with a view to using it to provide additional funds in retirement for herself and Khaled. No further inheritances are expected for either of them.

Khaled and Jenna both have a moderate attitude to risk. They are willing to invest a portion of their portfolio to provide both capital and income for themselves, with the prospect of growth to provide a greater inheritance for their children on second death. They have limited interest in Environmental, Social, and Governance (ESG) investing, but they have stated that they do not wish to focus on this as a key concern for their future investment strategy.

Khaled and Jenna have up-to-date Wills which leave everything to the survivor, with the remaining estate split between their four children on second death.

Khaled and Jenna have the following assets:

<b>Assets</b>	<b>Ownership</b>	<b>Value (£)</b>
House	Joint	600,000
Current Account	Joint	20,000
Deposit Account – Variable rate – Instant Access	Joint	70,000
OEIC – European Equity funds	Joint	290,000
Stocks and shares ISA – Global Equity funds	Khaled	200,000
Individual Equities – UK Telecoms shares	Khaled	75,000
Stocks and shares ISA – Emerging Market funds	Jenna	150,000

Khaled and Jenna's financial aims are to:

- consider how best to fund the purchase of their new property;
- assess the suitability of their current pension arrangements;
- consider how best to invest the inheritance from Jenna's late aunt.

**PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.**

### Questions

- (a) State the additional information that a financial adviser would require to assess the suitability of Khaled and Jenna's current financial arrangements, to enable them to meet their objectives. (15)
- (b) Recommend and justify the actions that Khaled and Jenna could take to draw a tax-efficient sum from their savings and investment portfolio to enable them to purchase the property. (12)
- (c) Explain in detail to Khaled and Jenna the financial implications of purchasing the new property before completing the sale of their current property. *No calculations are required.* (9)
- (d) Jenna wishes to invest her inheritance from her late aunt to provide income and capital in retirement for herself and Khaled, but also with a view to potentially improving the inheritance for their children on second death.  
Explain in detail to Khaled and Jenna why an investment into an onshore investment bond may be a suitable option to meet their objectives for the inheritance. (15)
- (e) Comment on the suitability of Jenna's target date fund in her pension fund. (10)
- (f) Explain to Khaled and Jenna the reasons why their existing personal investment portfolios may be unsuitable in meeting their objectives. (12)

**Total marks available for this question: 73**

## Case Study 2

**Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study.**

*Read the following carefully, then carry out **ALL** of the tasks (a), (b), (c), (d), (e), (f), and (g) which follow.*

Peter and Sally, both aged 43, are married, with two children aged 12 and 7. Peter and Sally are in good health. Peter is planning to take a one-year sabbatical from work to complete a master's degree. His employer has agreed to fund the qualification for Peter, and he will return to his current position in twelve months' time.

Peter is employed as a software developer and currently earns £65,000 per annum (gross). He leaves his position in June and will receive no salary or other benefits during his sabbatical.

Peter is a member of his employer's workplace pension scheme and currently contributes 6% of his gross salary to the scheme. His employer contributes 3% of his gross salary to the scheme but all contributions will cease in June 2026. Peter's pension fund has a current value of £105,000 and is invested in a global equity tracker fund. Peter is also a member of his employer's death-in-service scheme which will pay out three times his basic salary on death whilst in service. His membership of this scheme will also cease whilst he is on his sabbatical.

Sally is a copywriter and currently earns £60,000 per annum (gross). She is a member of her employer's workplace pension scheme, and she contributes 10% of her gross salary to the scheme. Her employer contributes 5% of her gross salary to the scheme. Sally's pension fund has a current value of £90,000 and is invested in a UK multi-asset fund. Sally is also a member of her employer's death-in-service scheme which will pay out four times basic salary on death whilst in service.

Peter and Sally have a repayment mortgage with an outstanding balance of £160,000 on their home, which is currently valued at £350,000. They are concerned that the mortgage repayments may be unaffordable during Peter's sabbatical year and are considering how best to meet their expenditure during this period. They have the option of taking a mortgage payment holiday. The mortgage is protected in full by a level-term assurance policy which was set up when they took out the mortgage. They are unsure if this policy is suitable for their needs. They have no other protection policies in place.

Peter and Sally have an interest in Environmental, Social and Governance (ESG) investments and both of them wish to avoid investing in weapons and armament manufacturing. They are both high-risk investors.

Neither Sally nor Peter have used their ISA allowances for the current tax year.

Peter and Sally have set up mirror Wills which leave all assets to the survivor on first death and held in Trust on second death for their two children. They have appointed Peter's sister as guardian for the children in the event of both of their deaths.

Peter and Sally have the following assets:

Assets	Ownership	Value (£)
House	Joint	350,000
Current Account	Joint	2,000
Deposit Account – Instant Access	Joint	70,000
National Savings & Investments Income Bonds	Sally	60,000
Stocks and shares ISA – UK Multi-Asset fund	Sally	24,000
Stocks and shares ISA – UK FTSE-All Share Tracker fund	Peter	30,000

Their financial aims are to:

- ensure they can meet their expenditure during Peter's sabbatical;
- improve the tax-efficiency of their current financial arrangements;
- ensure they have adequate financial protection for the family.

**PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.**

### Questions

- (a) Identify the key information that Peter and Sally should take into consideration when assessing their ability to meet their expenditure needs during Peter's sabbatical. (14)
- (b) Explain to Peter the options available to him in respect of his pension planning whilst he is on his sabbatical. (8)
- (c) State the reasons why Peter and Sally should **not** consider taking a mortgage payment holiday during Peter's sabbatical. (10)
- (d) Recommend and justify a range of actions that Peter and Sally can take to improve the tax-efficiency of their current financial arrangements. (14)
- (e) Recommend and justify a suitable life assurance policy to replace Peter and Sally's existing mortgage protection policy to provide adequate cover in the event of either death. (14)

**PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.**

**(f)** Identify the key **drawbacks** for Peter of investing in the global equity tracker fund within his workplace pension plan. **(9)**

**(g)** Identify **eight** key issues that a financial adviser should discuss with Peter and Sally at their next review meeting. **(8)**

**Total marks available for this question: 77**

## INCOME TAX

RATES OF TAX	2024/2025	2025/2026
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	

\*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.

Personal savings allowance (for savings income):

Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500

Additional rate taxpayers	Nil	Nil
---------------------------	-----	-----

Dividend allowance	£500	£500
--------------------	------	------

Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%

Trusts

Income exemption up to**	£500	£500
--------------------------	------	------

Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

\*\* Where net income exceeds £500, the full amount is subject to Income Tax. Further, the £500 may need to be divided between other trusts in existence.

### MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£4,280	£4,360
Married/civil partners at 10% †	£11,080	£11,270
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£37,000	£37,700
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£3,070	£3,130
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ The Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,700 (£37,000 for 24/25) until minimum reached.

\*\*\* Investment above £1,000,000 must be in knowledge-intensive companies.

## NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£125
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 242.00*	Nil
242.00 – 967.00	8%
Above 967.00	2%

*\*This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £125 per week. This £125 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below £96.00**	Nil***
Over £96.00	15%

*\*\*Secondary threshold.*

*\*\*\*No employer NICs on the first £967 pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481 pw for employees at freeports and investment zones in Great Britain in the first 36 months of employment*

**Employment allowance £10,500 Per business – not available if sole employee is a director**

CLASS 2 (self-employed) *	
Flat rate per week	£3,50
Small profits threshold per year	£6,845
Class 2 contributions are credited automatically where profits equal or exceed £6,845 per annum.	
Class 2 contributions can be made voluntarily where profits are below £6,845 per annum.	

<b>Class 3 (voluntary)</b>	Flat rate per week £17.75.
<b>Class 4 (self-employed)</b>	6% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

## PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2023/2024*	£1,073,100

\*Lifetime allowance abolished from 6 April 2024.

	2024/2025	2025/2026
Lump sum and death benefit allowance (LSDBA)	£1,073,100	£1,073,100
Lump sum allowance (LSA)	£268,275	£268,275
Money purchase annual allowance	£10,000	£10,000

LSA and LSDBA may be higher if transitional protections are available.

Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

### ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**
2025/2026	£60,000**

\*Between 2016/17 and 2019/20 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 where 'threshold income' is over £110,000.

\*Between 2020/21 and 2022/23 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.

\*\*From 2023/24 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.

### ANNUAL ALLOWANCE CHARGE

20% – 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

## CAPITAL GAINS TAX

ANNUAL EXEMPTIONS	2024/2025		2025/2026
Individuals, estates etc	£3,000		£3,000
Trusts generally	£1,500		£1,500
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000		£6,000
TAX RATES	Pre	Post	2025/2026
Individuals:	<b>30/10/2024</b>		
Up to basic rate limit	10%	18%	18%
Above basic rate limit	20%	24%	24%
Surcharge for residential property - Basic Rate	8%	n/a	0%
Higher Rate	4%	n/a	n/a
Surcharge for carried interest**	8%	4%	**32%
Trustees and Personal Representatives:			
Residential property	24%	24%	24%
Other chargeable assets	20%	24%	24%
Business Asset Disposal Relief*	10%		14%
Lifetime limit	£1,000,000		£1,000,000

\*For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.

\*\* For 25/26, rate for carried interest for all tax bands is 32%

## INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2024/2025	2025/2026
Transfers made on death		
- Up to £325,000 (nil-rate band)	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

MAIN EXEMPTION		
Transfers to		
- Long-term UK resident spouse/civil partner	No limit	No limit
- Spouse/civil partner who is not a long-term UK resident (from long-term UK resident spouse/ civil partner)	£325,000	£325,000
- UK-registered charities	No limit	No limit
- Residence nil rate band*	£175,000	£175,000

\*Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Annual small gifts exemption per donor	£250	£250

Gifts from surplus income are immediately exempt, as long as they are made from income, are made regularly and do not impact donor's standard of living.

Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

50% relief: certain other business assets

Reduced tax charge on gifts made in excess of the nil rate band within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

## MAIN SOCIAL SECURITY BENEFITS

		2024/2025	2025/2026
		£ (per week)	£ (per week)
Child Benefit	First child	25.60	26.05
	Subsequent children	16.95	17.25
	Guardian's allowance	21.75	22.10
Employment and Support Allowance	Assessment Phase	Up to 71.70	Up to 72.90
	Age 16 - 24		
	Aged 25 or over	Up to 90.50	Up to 92.05
	Main Phase		
	Work-related Activity Group	Up to 126.45	Up to 128.60
	Support Group	Up to 138.20	Up to 140.55
Attendance Allowance	Lower rate	72.65	73.90
	Higher rate	108.55	110.40
Basic State Pension	Category A full rate	169.50	176.45
	Category B (lower) full rate	101.55	105.70
New State Pension	Full rate	221.20	230.25
Pension Credit	Standard minimum guarantee - single	218.15	227.10
	Standard minimum guarantee - couple	332.95	346.60
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	71.70	72.90
	Age 25 or over	90.50	92.05
Statutory Maternity, Paternity and Adoption Pay		184.03	187.18

## CORPORATION TAX

	2024/2025	2025/2026
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%
Companies with profits between £50,000 and £250,000 will pay tax at the effective rate of 26.5%. This provides a gradual increase in the effective Corporation Tax rate.		

## VALUE ADDED TAX

	2024/2025	2025/2026
Standard rate	20%	20%
Annual registration threshold	£90,000	£90,000
Deregistration threshold	£88,000	£88,000

## STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

### Additional Stamp Duty Land Tax (SDLT) rules apply as follows:

- *First-time buyers benefit from SDLT relief on first £300,000 for properties up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,001 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *Additional SDLT of 2% may apply to purchases by non-UK residents over £40,000.*
- *SDLT may be charged at 17% on interests in residential properties costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%